

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05 SS-15

CEA-01 PA-02 PRS-01 AGR-10 /105 W

----- 010424

R 191204Z APR 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5354

UNCLAS NEW DELHI 5653

E.O. 11652: N/A

TAGS: EIND IN

SUBJECT: PROSPECTS OF DOMESTIC RAW JUTE SURPLUS IN 1976-77 SEASON  
(JULY-JUNE)

REF: CALCUTTA 0925

FOLLOWING SENT ACTION NEW DELHI INFO BOMBAY MADRAS DACCA  
FM CALCUTTA DATED APR 15 REPEATED:

QUOTE

CALCUTTA 0925

E.O. 11652: N/A

TAGS: EIND, IN

SUBJ: PROSPECTS OF DOMESTIC RAW JUTE SURPLUS IN  
1976-77 SEASON (JULY-JUNE)

REF: CALCUTTA 0782

1. SUMMARY:

THE PRELIMINARY REPORTS OF THE SOWING OF THE INDIAN JUTE  
CROP HAVE RAISED EXPECTATIONS OF A 25 PERCENT INCREASE IN  
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BOTH ACREAGE AND YIELD OF RAW JUTE IN THE 1976-77 SEASON

(JULY-JUNE). THE PROSPECT OF AN EXCESS SUPPLY OF RAW JUTE IS LIKELY TO INCREASE THE DIFFICULTIES OF THE INDIAN JUTE INDUSTRY WHICH PILED UP UNSOLD STOCKS OF PROCESSED JUTE GOODS AFTER THE RECENT SHARP DOWNTURN IN EXPORTS.  
END SUMMARY.

2. CURRENTLY THERE IS EVERY INDICATION THAT THERE WILL BE AN EXCESS SUPPLY OF BOTH RAW JUTE AND JUTE GOODS IN THE 1976-77 SEASON BEGINNING JULY. THE PRELIMINARY OFFICIAL FORECAST PREDICTED A 25 PERCENT INCREASE IN BOTH ACREAGE AND YIELD OF INDIAN JUTE CROP IN 1976-77 SEASON OVER THE POOR ANNUAL YIELD OF 5.8 MILLION BALES (EACH BALE WEIGHING 180 KILOGRAMS) OF RAW JUTE FOR THE PAST TWO YEARS. FAVORABLE WEATHER AND EXPANSION OF JUTE ACREAGE IN ASSAM AND NORTH BENGAL HAVE RAISED EXPECTATIONS FOR A BETTER DOMESTIC JUTE CROP THIS SEASON. THE EXPANSION OF JUTE ACREAGE IS ATTRIBUTED TO A SHARP FALL IN PADDY PRICES THIS YEAR AND THE RELATIVE PRICE RATIO BETWEEN PADDY AND JUTE APPEARS MORE FAVORABLE TO JUTE GROWERS THAN IT HAS BEEN IN THE PAST. THE SIZE OF THE INDIAN JUTE CROP WILL NOT BE KNOWN, HOWEVER, UNTIL THE PLANTING OF JUTE CROP IN SOUTH BENGAL, BIHAR AND ORISSA IS COMPLETED BY THE END OF MAY. RECENTLY, THE CHAIRMAN OF THE JUTE CORPORATION OF INDIA, A GOI UNDERTAKING, REQUESTED THAT THE GOI OFFER PRICE INCENTIVES TO JUTE GROWERS IN ORDER TO ENCOURAGE EXPANSION OF JUTE ACREAGE. HE WANTS THE GOI TO RAISE THE OFFICIAL MINIMUM PRICE OF RS. 135 PER QUINTAL OF RAW JUTE BY RS. 5 TO RS. 10 PER QUINTAL (100 KILOGRAMS) AND HE PREDICTED A GOOD CROP IN THE 1976-77 SEASON.

3. BECAUSE THE JUTE MILLS ARE FORCED TO BUY THE GROWER'S PRODUCTION THE EXPECTED INCREASE IN RAW JUTE SUPPLY WILL EXACERBATE THE DIFFICULTIES OF THE INDIAN JUTE INDUSTRY WHICH PILED UP UNSOLD STOCKS OF JUTE GOODS AFTER THE RECENT SHARP DOWNTURN IN EXPORTS. (REFTEL REPORTED THE CLOSURE OF FIVE JUTE MILLS AFTER THE LAST GROWING SEASON). THE INDIAN JUTE MILLS WILL PROBABLY END UP THE CURRENT 1975-76 SEASON WITH 25 PERCENT MORE UNSOLD STOCKS OF FINISHED GOODS THAN THE CORRESPONDING FIGURE OF 89,500 TONS IN THE PREVIOUS YEAR. THE MILLS CONTINUE TO PRODUCE MORE THAN THEY  
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CAN SELL BECAUSE THE GOI HAS REFUSED THE REQUEST OF THE LOCAL JUTE MILLS TO CURTAIL THEIR PRODUCTION. THE GOI SEEMS UNWILLING TO RISK LABOR UNREST RESULTING FROM A MASS LAY-OFF OF LABOR WHICH IS LIKELY TO RESULT FROM A PRODUCTION CUTBACK. IN ORDER TO FACILITATE UNINTERRUPTED PRODUCTION OF THE JUTE MILLS, THE GOI HAS ALSO ARRANGED IMPORTS OF 400,000 BALES OF RAW JUTE FROM THAILAND AND BANGLADESH. IMPORTS, IN ADDITION TO A SMALL CARRY-OVER OF LESS THAN

600,000 BALES OF RAW JUTE STOCK, WILL MEET CONSUMPTION NEED OF THE INDIAN JUTE MILLS UNTIL THE NEW CROP ARRIVES TO LOCAL MARKETS DURING AUGUST-SEPTEMBER, 1976.

4. GOI EFFORTS TO PROTECT THE SURPLUS WORKFORCE IN THE INDIAN JUTE INDUSTRY IS LIKELY TO INCREASE THE NUMBER OF SICK UNITS BECAUSE THE DOWNTREND IN FOREIGN DEMAND HAS NOT BEEN REVERSED. TOTAL JUTE EXPORT EARNINGS IN CY 1975, ESTIMATED AT RS 2.23 BILLION, DECLINED BY ABOUT 25 PERCENT FROM THE CORRESPONDING FIGURE OF RS 2.29 BILLION IN CY 1974. IN A BUYER'S MARKET, THE COMPETITION FROM SYNTHETIC IS STRONG, AND THE GOI EXPORT INCENTIVES AND ASSISTANCE, INCLUDING CASH SUBSIDIES, ARE NOT ENOUGH TO RE-CAPTURE LOST FOREIGN MARKETS. A FURTHER INCREASE BY 12.5 PERCENT IN THE OCEAN SHIPPING FREIGHT RATES EFFECTIVE FEBRUARY 15, 1976 IS LIKELY TO INCREASE FURTHER THE PRICE OF INDIAN JUTE GOODS.

5. FINALLY, WE NOTE THAT IT APPEARS THE SOLUTION TO THE PROBLEMS OF SOME MILLS HAS COME IN THE FORM OF FIRES. THERE HAVE BEEN MAJOR ONES AT TWO MILLS IN THE LAST TWO WEEKS, IN ADDITION TO SEVERAL IN PRECEEDING MONTHS. ARSON HAS NOT BEEN OFFICIALLY PRONOUNCED, BUT INDUSTRY CIRCLES GIVE A KNOWING NOD WHEN QUESTIONED ON THE SUBJECT. SIGNED KORN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGRICULTURAL PRODUCTION, JUTE, AGRICULTURAL SURPLUSES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**From:** NEW DELHI  
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**Line Count:** 141  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 CALCUTTA 925  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** oatisao  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUL 2004 by SilvaL0>; APPROVED <20 SEP 2004 by oatisao>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROSPECTS OF DOMESTIC RAW JUTE SURPLUS IN 1976-77 SEASON (JULY-JUNE)  
**TAGS:** EIND, EAGR, EPAP, IN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006